



INITIAL 2013-2016 SOLID WASTE RATE ISSUES¹

Libraries, Utilities and Center (LUC) Committee July 17, 2012

RATE STRUCTURE

1. **Pass-through.** *If the answer to A. is yes, then consider B.*
 - A. Does Council agree with segmenting rate approval into two steps: 1) the current rate proposal which covers most solid waste costs over 4 years, and 2) an additional “pass-through” rate adopted each April starting in 2013 to cover inflation adjustments to solid waste contracts?
 - B. Should alternatives such as a single 4-year rate that includes contract inflation, or a surcharge mechanism be considered?
2. **Rate growth policy.** *If the answer to A. is yes, then consider B.*
 - A. Should a policy be adopted that expresses Council expectations about future rate growth?
 - B. If a policy is adopted, should it be based on applying inflation indexes to Seattle Public Utilities’ (SPU’s) costs, a program-by-program evaluation during this rate review to identify reasonable future rate growth, a strategic plan to be developed during the 4-year rate period, a cap on growth in the typical customer’s combined bill, or other approaches?
3. **Cost allocation and pricing.** *If revenues are less reliable because customers are downsizing their cans more quickly than expected, should price differences between smaller and larger cans be reduced to ensure revenue recovery?*

SPENDING

4. **Program priorities and cost effectiveness.** *Questions A., B., and C. can be answered independently*
 - A. Are there lower priority or discretionary projects and programs the Council would like to eliminate so that high priority projects are adequately funded while moderating rate increases?
 - B. Are various programs and projects provided in the most cost-effective manner?
 1. Bottom up – evaluate individual programs during this rate review to identify potential savings.
 2. Top down – direct SPU to identify during this rate review how it would meet an efficiency cut target of \$X or Y%.
 - C. Should rates be changed to reflect changes in cost estimates (for items such as bond repayment or Central City services) that emerge after completion of the rate study?
5. **Workplace efficiencies.** *Questions A. and B. can be answered independently.*
 - A. Should Council ensure SPU follow-up on the recommendations identified in the May 2012 SPU workgroup’s Workplace Efficiencies report by asking for annual reports on SPU’s work in this area?
 - B. Are there ways Council can incentivize SPU to continue to work on bringing consultant work in-house if it is appropriate and cost effective by asking for annual reports on their work in this area?

¹ Issues may be added or removed after the full set of SPU answers to Council questions has been received.

6. Waste Reduction. *Questions A. and B. can be answered independently.*

- A. The rate proposal does not include citywide implementation of the One Less Truck program. Should citywide implementation be incorporated into rates?
- B. Is the Zero Waste resolution being adequately implemented to increase recycling and reduce waste?

FINANCIAL POLICIES

7. Financial policy compliance. The LUC Committee decided in early 2012 to retain current financial policies but does the Council agree with SPU's approach to meeting those policies?

REVENUES AND DEMAND

8. Demand forecast. Are estimates of future tons and numbers of new customers too conservative?

9. CIP accomplishment. Is the CIP accomplishment rate too optimistic?

10. Non-Rate Revenue. Are estimates of non-rate revenues (such as revenues from the sale of recyclables as provided in the recycling processing contract) too low?

11. Rate Discounts and Delinquency. *Questions A., B. and C. can be answered independently.*

- A. Under a Utility Assistance Program Memorandum of Agreement with SPU and City Light, the Human Services Department (HSD) has agreed to streamline business processes and associated internal controls and procedures, strengthen outreach efforts, counsel people with high utility bill balances and refer utility assistance applicants to other benefit programs. Should HSD, SPU and City Light be asked to explore additional ways to strengthen the programs such as establishing longer enrollment periods to reduce administrative work for applicants and the City.
- B. Should efforts be made to help customers avoid delinquent bills by:
 - Considering procedures to identify (and conduct outreach to) customers at risk for delinquent bills, and/or
 - Establishing alternating-month due dates for City Light and SPU bill payments.
- C. Are revenue assumptions related to low-income discounts too high or low, resulting in an undue amount of the revenue requirement shifted to other customers?